

98-84392-9

Gibbs, Henry Hucks

The gold question and
the fall of prices

[London?]

[1883?]

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Z	The gold question and the fall of prices.
v.39	[London ? 1883 ?]
	32 p. 21 $\frac{1}{2}$ cm.
	Vol. of pamphlets.

Only ed

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THE GOLD QUESTION AND THE FAIL OF PRICES.

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I PROPOSE in the following paper to discuss the present condition of what has been called the Silver question, but which at this time and in this country, as directly affecting the English medium of exchange, should rather be called the Gold question. #1

I propose also to show that many evils have flowed and are flowing from the demonetization of silver by Germany, and that a remedy for them might be sought in the return to our ancient system of gold and silver money, if the prejudices of the present day did not so strongly militate against it.

Yet, deeply-seated as that prejudice still is, it is certain that there is a great difference between the present position of the question and the position it occupied in 1878, the date of the second Monetary Conference in Paris; and greater still, if we compare it with the ground taken by the first Monetary Conference of 1867 and by the Royal Commission of 1868. At that time, the conclusion at which the members arrived was, that the universal adoption of a Gold Standard was desirable.

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1883

The Conference of 1878, on the contrary, having before then the fall in the price of silver, and the consequent inconveniences which had arisen, unanimously urged the necessity of silver taking its full part in the monetary service of the world. The fall of prices which had begun in 1874 and had continued till 1881, the date of the third Monetary Conference, led its members to consider more closely the effects both of the fall in the purchasing power of silver, and of the correlative rise in the purchasing power of gold; and the result was a further advance of opinion, and a wider-spread feeling amongst its members, of the wisdom of reverting to the use of a Bimetallic Standard. France and the United States and Holland were anxious to return to it; and Germany, unwilling to send representatives to the Conference of 1878, appeared now to be willing, on conditions, to join a Bimetallic Union; and England, though as much opposed as before to a return to a Bimetallic Standard of value, was willing to admit that its adoption by other nations would be a great advantage to herself, and to discuss the possibility of making some changes, unimportant in themselves to her own interest, but likely to conduce to such an end.

The same change, the same progress of opinion, has been everywhere visible in the pages of that part of the Public Press which pays any attention to the subject.

The bimetallicists themselves have learnt much of the working of their system, and of the mischief existing, and likely to increase, from the contraction of our monometallic currency. Their opponents, also, have begun to perceive that there are more things in heaven and earth than were dreamt of in their philosophy, and that, as Prince Bismarck said, when ten men try to lie under

a blanket which has barely covered five, inconvenience must result.

6 Aug 1911
The Press in England was till lately wont to treat the matter as a crotchet of a few theorists, having no real bearing on the fortunes of commerce; as an academic question at best, not worthy of serious consideration by economists and still less by statesmen, in whose eyes it was held to be "outside the range of practical politics." The financial portion of the Press, and those masters in Political Economy, who had learnt their own lesson once for all and long ago, could not at once be induced to believe that with changed premisses new conclusions might be possible, and permitted themselves, therefore, to class our contentions with pretended demonstrations of the flatness of the earth, and of the squaring of the circle. It was very natural. These our instructors (and very useful instructors they are on subjects which they have thoroughly studied) were too much inclined to think that they were born to teach the world, and too little inclined to accept instruction from men or matters.

Now all this—or nearly all—has been changed. Statesmen, indeed, do not give the subject much consideration; but statesmen, in England at least, are very loath to examine any question for themselves. They wait till Public Opinion is too strong for them, and then they suddenly find that they, in common with all wise men, have always believed in the urgent necessity of this or that measure of reform. So will it be with the reform of the Standard of Value. Public opinion, though not yet converted, and not yet taking a real interest in the matter, is on the right road towards conversion. The question is now no longer contemptuously passed by in the Public Press (except where a simulated contempt is sometimes used as a cloak for ignorance), but is

seriously discussed from time to time both in the financial newspapers and among students of Political Economy. The money columns of the newspapers contain serious and elaborate articles for and against the Bimetallic Standard: the opponents of it professing to demonstrate our fallacies, but unfortunately omitting the demonstration, and combating in most cases not the assertions and arguments of the bimetallist, but some other assertions and arguments which they are pleased to father upon him.

Sometimes an ex-statesman, rejoicing in his freedom from parliamentary strife, rushes into our arena; and using for his weapons much wit and little logic, much prejudice and little knowledge, tells us of the manifold disadvantages which must flow from the two prices in one market, which, as he thinks, will be the inevitable consequence of two metals of differing value being employed to do service as money; but he, in common with all those who use this argument, wholly omits to show us how such two prices will come about, or indeed, under a law of free mintage, could be possible.

Sometimes a learned and able Professor takes up his pen, and finds himself unwillingly and unwittingly playing the part of Balaam the son of Beor: he comes to curse, but blesses us altogether. He allows the necessity of admitting silver to bear its part in the world as money; he virtually admits the soundness of our theory, but he, also, trips over the imaginary stumbling-block of the two prices, and proposes to make chronic that temporary disorder in the relation between debtors and creditors which the fixing of a ratio between two money-metals must in some greater or less degree produce, and would make such fixing and such disorder recur again and again at indeterminate periods, at the discretion of some central "authority."

On the other hand, Mr. Goschen's speech in Parliament on the 19th of February last, not indeed touching on the remedy advocated in this paper, but fully discussing the causes and incidence of the evil which it is intended to cure, shows that one statesman, at least, perceives the importance of the subject, and that one, a man better fitted than others, by his early training, to gauge the necessities and difficulties of trade.

The *Spectator* comments on this speech in its issue of the 24th of February; and, recognizing the magnitude of the evil, and the weight with which it presses on English industries, and especially on agriculture, asks if the time has not arrived for the appointment of a Royal Commission to inquire into the whole subject.

Again, a writer in the *Statist* of the 24th of the same month, commenting upon Mr. Goschen's speech, takes much the same line as Mr. Giffen did in his interesting paper read before the Statistical Society, as long ago as January 1879, and fully acknowledges the effect on prices which the scarcity of gold must produce. He does not admit the efficacy of bimetallism as a remedy (and on his arguments on this point I shall comment in the course of this paper), but he, and all those who really think upon the matter, are now fully aware what are the true objects of the advocates of the Bimetallic Standard. We need no longer take pains to explain those objects, nor to protest that we do not consider the adoption of that system a panacea for all the ills that Trade is heir to, but only a remedy for one particular ill.

I may assume that it has been demonstrated—

1. That the fixing by law of the proportion in which silver and gold, jointly adopted as money, as the measure

of value and medium of exchange, shall be received in payment of debts, bears no analogy to a vicious fixing by law of the price of a commodity as measured in money.

2. That that proportion once fixed, and the mints opened for coinage of legal tender money in that proportion, it is impossible that there can be a market price of silver measured in gold, or of gold measured in silver, which shall differ from the mint price or legal ratio; and that, therefore, under an international agreement, it is impossible that there could be a dearer and a cheaper metal, of which the former would "leave the country."

3. That such an international agreement would be easily brought about if England would join it, or would cordially promote its establishment in other nations, and that once established on a broad basis such an agreement must practically be maintained.

4. That it is no part of the creed of bimetallicists that Commerce is, in the long run, benefited by inflation of the currency; and that what they really desire, and what they believe will result from the adoption of a Bimetallic Standard of value, is a greater steadiness than can be attained under a Monometallic System.

These matters have been treated pretty fully by many writers of late years—in the United States by Dana Horton, in Belgium by Laveleye, in Germany by Arendt, in France by Wolowsky; and in this country by Mr. Grenfell, in two papers in the *Nineteenth Century*, by myself, in a pamphlet on the Double Standard in 1881, and by many others.

Besides this, the establishment of the International Monetary Standard Association in this country, and the foundation of sister Associations in Germany and Belgium, insure that public attention will be continually called to the importance of the subject, and, by their frequent publications and unrefuted arguments, prepare men's minds for a return to the sound and practical system, the benefits of which were extended (until the suspension in 1873 of the French law of free mintage) even to those countries which nominally had but one metal—gold or silver—for their measure of value.

Silver was not, indeed, while free mintage lasted in France, true money in England, nor was gold true money in Germany; but remittances of silver to England, and of gold to Germany, were practically remittances of cash; because the fluctuations of value between the two metals, notwithstanding the enormous fluctuations in the relative amounts annually produced of each, were almost imperceptible, and were measured only by the natural operation of the Exchanges.

This condition of things would evidently be restored by the return of France to her former practice; but it is believed that France will not move in this direction, unless Germany and the United States will join with her and the rest of the Latin Union in adopting a bimetallic standard with a fixed ratio, and free mintage of both metals.

It remains to be seen what steps England will take to render this action more easy to Germany and the other nations concerned.

In the year 1881, some steps were taken in this direction, and there would have been, I believe, no difficulty on the part of England in guaranteeing, for a certain time, the maintenance of free mintage of silver

in India, in authorising the Bank to carry out the provisions of the Act of 1844 as regards that metal, and perhaps in extending the amount of silver receivable as legal tender; but the negotiations on the subject came, for that time, to no practical end; a failure very much to be regretted, inasmuch as the part to be performed by England was in no way onerous to her, and, the condition of its performance being the return of the Continental nations and the United States to a Bimetallic Standard, it would have been of the greatest advantage to her, both in the interests of commerce, and as solving the monetary question as regards India.

But, while a better understanding of the subject is increasing, the march of events is unfortunately in the opposite direction.

Italy has announced that in this present month, she will put into circulation the sixteen millions of gold which she has withdrawn from the circulation of the other gold-using states. The result will be, indeed, that that gold will be obtainable by those states, if they choose to pay for it. The gold will leave Italy if she is indebted to her neighbours, *i.e.*, whenever the Exchanges are and remain against her; and she will have to contend with them for the retention of the metal, and the weapon which both parties to the contest must use will be the rate of discount, a weapon which wounds both the striker and the stricken.

In Holland a Bill is before the Chambers, authorising the Government to sell their silver so as to substitute gold in its place; and if that Bill passes there will be yet another combatant in the same contest.

In the United States there has been already a very large absorption of gold. The return of the 12th of March shows £34,000,000 in the Treasury, £11,000,000

in the Banks, and £70,000,000 in circulation in the country—£115,000,000 in all; and the tendency, even irrespective of the question of repealing the Bland Bill, seems to be to increase the amount.

The Session of Congress being over, there is no imminent danger of the repeal of the Bill, and of the consequent cessation of the coinage of silver, but though it is difficult to believe that the United States, a silver-producing country, can really desire to further the demonetization of silver, or can be blind to the evils likely to accrue to themselves as well as to Europe by the contraction of the circulation, if they also should adopt a single gold standard, still it would be unwise to leave such a contingency out of the calculation. The causes of the agitation for the repeal of the Bill appear to be two. First, the desire of a large number of politicians to adopt the gold standard, as being, so they think, one source of the prosperity of England; and, second, the action of others whose aims are directly opposite, and who would deem the permanent adoption of a gold standard a great misfortune for their country, but who hope, "by declaring war against silver," to make the position intolerable to England, and induce her to retrace her steps.

Certainly the position would be intolerable, as will be readily seen, if we look at the amount of silver in the States which would be thrown on the market by such a policy.

The dollars coined under the provisions of the Bland Bill up to the 1st of February last have been \$135,405,080, and of these about \$38,000,000 were in circulation in specie in possession of the people, and \$72,745,470 more in circulation also, but under the form of certificates, which pass readily from hand to hand, and

which may be considered as State notes or vouchers for dollars and bullion stored in the vaults of the Treasury, of which sum \$4,306,650 were held by the Treasury itself.

Now if all this silver is demonetized, and thrown on the market together with what existed in the country before the passing of the Bland Bill, and with the monthly produce of the mines, what will be the loss suffered by the Indian Government, and by all who receive fixed sums payable in silver, or who trade with silver-using countries, and what will be the effect on prices of the absorption by the United States of the further quantity of gold which must take its place!

I do not think such a catastrophe is likely; but it is impossible to foretell what the exigencies of party or the needs of private interest, real or imaginary, may bring about under a system of popular government.

As a further illustration of what I have said as to the improved tone of the Public Press in their treatment of this subject, I cannot but refer to an article on Trade and Finance which appeared in the *Daily News* of the 20th of last month. It is a perfectly fair and well-reasoned statement of the case, as regards the influence of the growing scarcity on prices, and the influence of decreasing prices on the commerce of the country. The writer of that article admits the disease, but, like the writer in the *Statist*, rejects the remedy. He says, "Let the suffering cure itself; commerce, it is true, is on 'infirm ground and feels herself sinking; let her not fear, she will come to firm ground at last!'" But how if the quagmire be deep, and she be suffocated before she reach the bottom?

A remedy is proposed, a reasonable remedy, which shall give all nations composing the world of commerce

a uniform standard of value. But we are content to wrap ourselves up in our prejudices, and trust to an unseen future to cure our admitted ills, and we reject the remedy that will cure them. So also a remedy was proposed to cure the inconvenience of a diversity of money in the states of which Germany was composed. Every state had its own coinage, to the manifest inconvenience of Germans and those that had commerce with them. No doubt there was the same cry, "Let well alone," even though well was ill; but a better wisdom prevailed there, and will some day prevail here.

That England should make some such concessions as those which were proposed in 1881, is, in my opinion, very much to be desired, both for the sake of her commerce, and for the sake of the general well-being of Englishmen, for whom the prosperity of English commerce is a vital question.

We have been told, year by year, that "next year" was infallibly to bring with it improvement of trade; and that England's Commercial Prosperity, which had been so long under a cloud, was to shine forth again with double brightness so soon as commercial activity should revive in the United States, and so soon as India should be again prosperous. But both these things have happened in greater or less degree, and we have even had an improved harvest year (after long waiting), which was to be another signal for the revival of trade; but trade revives not. Prices are and have been everywhere depressed—unless where temporary and local circumstances have at any time counteracted the general tendency.

What can be the cause of this declension? There are, no doubt, many causes; but there is one among them which our instructors in the Press steadily ignore,

preferring rather to attribute the mischief to the spots in the Sun, or to any other recondite cause, than to one which lies at their very doors.

Prices of commodities are influenced, first, by the supply of and demand for those commodities, and by their cost of production; and, secondly, by the quantity of material available for money, which is the measure of them, and which provides, in ordinary parlance, the very conception of *price*. If that material is rendered available in larger quantities, either by (1) increased production, (2) by diminished population, (3) by a falling off in the demand for use in the Arts, or (4) by the spread of banking expedients, which supply the place of coin and set the metal free, the prices of other commodities are, *ceteris paribus*, necessarily greater. Or, on the other hand, if (1) the production at the mines falls off, (2) population increases, (3) more money-metal is consumed in the Arts, or (4) metallic money takes, in any nation, the place of paper,—these causes, or any one of them, provided it be not counterbalanced by the existence of either of the points in the first category, must, so far as it goes, depress the prices of commodities.

The shrinking or increase of the worth of the sovereign, the measure of value, is precisely analogous to the shrinking or expansion of the inch, the measure of length. If the standard inch were enlarged, so that the foot of 12 inches were equal to 13 of our present inches, the buyer who bought a foot-length would get more stuff; or if it were diminished, so that the foot of 12 inches were to be equal to only 11 of our present inches, the buyer would get less. The diminution of the quantity of sovereigns (that is to say, of gold, used as money) is an increase of the value of each particular sovereign;

the buyer gets more stuff for it. The multiplication of sovereigns is a shrinking of the value of each particular sovereign; the buyer gets less stuff for it. The difference in actual fact is that the inch cannot increase or diminish without its being everywhere known: the increase or diminution of the quantity of the money-metals is uncertain and insidious.

What is true of money-metals as a whole is, *à fortiori*, true of either one of them; either one being exposed to an additional strain, if it is taken into use as money in lieu of the other.

I have, then, to inquire—first—whether there *is* such a general fall in prices as is supposed; secondly—whether, if there is, it can be asserted with any degree of certainty that no other universal and persistent cause can be alleged for the fall; and, thirdly—whether either of those four things, to which I have above referred, has happened, which could disturb the proportion which existed some years back between gold and the commodities which it measures in English commerce, and cause such a fall.

Now, as to the second question, I must frankly say that there can be no *certainty* in the answer. Each article in the following table may have had its own especial increase of production or diminution of demand, or both together, which may account for its steady fall in price; but if we find that the general result over all of them is the same, though differing in degree, we must search for some general cause which has overridden and either counteracted or increased the effects of the especial circumstances of each case.

That there has been such a fall the following table, containing the prices of some of the principal articles of trade, clearly shows.

Comparative List of Prices of sundry Articles of Produce

		1874.	1875.	1876.	
COCHINE, L. fair silver ..	per lb.	2s. 1d.	1s. 11d.	1s. 9d.	
COCOA, G. Yayaquil	per cwt.	50s. @ 52s.	42s. @ 44s.	50s. @ 51s.	
COFFEE, B. Jiddling Plantation					
Ceylon	"	133s.	98s.	105s.	
COTTON—					
Middling Upland... ..	per lb.	8½d.	7½d.	7d.	
Fair Suat at... ..	"	5½d.	5d.	4½d.	
HIDES—					
River Plate, heavy salted	"	7½d.	9½d.	8½d.	
light	"	7½d.	9½d.	7½d.	
Austral an heavy	"	6d.	7½d.	5½d.	
light	"	5½d.	7½d.	5½d.	
INDIGO—					
Middling shipping Bengal	"	7s. 2d. @ 7s. 4d.	7s. 4d. @ 7s. 6d.	6s. 10d. @ 7s.	
JUTE, medium quality	per ton	15l. 10s. @ 16l. 15s.	14l. 15s. @ 15l. 10s.	15l. @ 16l.	
RICE, Rangoon	per cwt.	11s. @ 12s. 3d.	8s. 9d. @ 9s.	7s. 10d. @ 8s. 1½d.	
SALTPETRE	"	22s. @ 24s. 6d.	19s. 6d. @ 21s. 9d.	17s. @ 19s. 3d.	
SUGAR—					
Brown Manilla	"	18s. 6d.	17s.	14s. 6d.	
Good & fine West Indian...	"	25s. @ 26s.	23s.	20s.	
TEA, soum l common Congou	per lb.	1s. 0½d.	11d.	10d.	
TOBACCO—					
Virginian leaf	"	3d. @ 1s.	7d. @ 1s. 2d.	5½d. @ 1s. 3d.	
strips	"	7½d. @ 11d.	9½d. @ 1s. 4d.	9d. @ 1s. 2d.	
Kentucky leaf	"	4d. @ 11d.	6d. @ 1s. 1d.	3½d. @ 1s.	
strips	"	7½d. @ 10d.	9d. @ 1s. 1d.	8d. @ 1s. 1d.	
WOOL—					
English sheep's, ½ hog,	"				
½ wet ser... ..	"	1s. 11d.	1s. 8½d.	1s. 6½d.	
Australian: average Victoria washed	"	2s. @ 2s. 1d.	2s. 1d.	1s. 11d.	
greasy	"	1s. 2d.	1s. 2d. @ 1s. 3d.	1s. 1d.	
Mohair	"	2s. 9½d.	3s. 5d.	3s. 7½d.	
Alpaca	"	2s. 8½d.	2s. 8d.	2s. 5d.	
At commencement of January in respective years.		1873.	1874.	1875.	1876.
COPPER, Chili bar	per ton	91l.	84l.	83l. 10s.	82l.
IRON, Scotch pig	"	127s.	107s. 6d.	80s.	64s. 3d.
LEAD, English	"	21l. 10s.	24l. 5s.	23l. 10s.	22l. 12s. 6d.
TIN, foreign	"	142l.	120l.	94l.	82l.
WHEAT, English Imperial					
average throughout the	per qr.	55s. 11d.	62s. 1d.	44s. 8d.	45s. 9d.
United Kingdom	"				

LONDON, 31st January, 1883.

in January of each of the undermentioned years:—

1877.	1878.	1879.	1880.	1881.	1882.	
2s. 9d. 66s. @ 69s.	2s. 1d. 71s. @ 74s.	2s. 108s. @ 110s.	3s. 78s. @ 80s.	1s. 9d. 59s. @ 60s.	1s. 6d. 61s. @ 63s.	
120s.	102s.	97s.	103s.	80s.	74s.	
6½d. 5½d.	6½d. 4½d.	5½d. 5d.	6½d. 5½d.	6½d. 4½d.	6½d. 4½d.	
8½d. 7½d. 5½d.	8d. 7d. 5½d.	7½d. 6½d. 5d.	8½d. 7½d. 6½d.	7½d. 7d. 5½d.	7½d. 6½d. 5½d.	
4½d.	4½d.	4½d.	5½d.	5½d.	5½d.	
7s. 4d. @ 7s. 6d. 14l. 17s. 6d. @ 16l. 9s. 9d.	6s. 2d. @ 6s. 4d. 14l. 15s. @ 15l. 10s. 9s. 14d.	6s. @ 6s. 2d. 11l. @ 12l. 8s. 7½d.	7s. 9d. @ 8s. 18l. 5s. @ 18l. 15s. 9s. @ 9s. 3d.	6s. 6d. @ 6s. 10d. 16l. 5s. @ 17l. 8s. 7½d. @ 8s. 9d.	6s. 10d. @ 7s. 15l. 10s. @ 16l. 8s. @ 7s. 10½d.	
19s. 6d. @ 21s.	20s. @ 22s.	18s. @ 19s. 6d.	21s. @ 23s. 3d.	24s. 6d. @ 25s.	23s. 3d.	
22s. 31s. 6d. 8½d.	15s. 6d. 21s. 9d.	15s. 21s. 8d.	18s. 25s. 6d. 11d. @ 1s.	14s. 3d. 22s. 6d. @ 6½d.	15s. 23s. 5d.	
5d. @ 1s. 6½d. @ 1s.	4d. @ 11d. 5½d. @ 10d.	3d. @ 10d. 4½d. @ 10d.	4d. @ 1s. 5d. @ 10½d.	4d. @ 11d. 5d. @ 10½d.	4d. @ 1s. 3d. 6½d. @ 1s. 1d.	
2½d. @ 10½d. 6½d. @ 1s.	2½d. @ 9½d. 5d. @ 9½d.	2½d. @ 8½d. 4d. @ 8d.	3d. @ 10d. 4½d. @ 9½d.	3d. @ 10d. 4½d. @ 9d.	4d. @ 10d. 5½d. @ 10d.	
1s. 6d.	1s. 4d.	1s. 1d.	1s. 2½d.	1s. 1d.	1s. 0½d.	
1s. 10d. @ 1s. 11d.	1s. 10d. @ 1s. 11d.	1s. 9d.	1s. 11d. @ 2s.	1s. 9d. @ 1s. 10d.	1s. 10d.	
1s. 1d. 3s. 1d. 2s. 1d.	1s. 1d. 3s. 0½d. 1s. 8d.	1s. 1s. 10½d. 1s. 5d.	1s. 2d. 2s. 2½d. 1s. 5d.	1s. 1s. 10d. 1s. 3d.	1s. 1d. 1s. 9d. 1s. 5d.	
1877.	1878.	1879.	1880.	1881.	1882.	1883.
75l. 10s. 57s. 6d. 21l. 10s. 75l. 10s.	66l. 51s. 6d. 19l. 2s. 6d. 66l.	57l. 43s. 14l. 12s. 6d. 61l.	65l. 10s. 67s. 19l. 7s. 6d. 91l. 10s.	62l. 10s. 53s. 4d. 15l. 5s. 91l. 10s.	70l. 5s. 51s. 9d. 15l. 107l. 10s.	65l. 5s. 48s. 9½d. 13l. 15s. 92l. 12s. 6d.
51s. 6d.	51s. 9d.	39s. 7d.	46s. 11d.	41s. 11d.	44s. 9d.	40s. 7d.

The table is mainly taken from Mr. Giffen's paper above referred to, with additions and continuation to the present date.

The results are admitted by the writer in the *Statist.* Prices, he says, have declined, to the present prejudice of trade and agriculture; and "if gold had not been appreciating in value, prices all round would have been higher than they are now."

But, in treating the decline of prices which springs from this source as unimportant, he commits, I think, as grave an error as I should commit were I to attribute the decline to the appreciation of gold alone, and to no other cause; and I think I shall be able to show from his own words that he has not fully apprehended the cause of the complaint, nor the motives and reasoning of the complainants. He writes:—

"The appreciation, after all, cannot have been the main factor, either in the agricultural distress or in the distress of industry generally. . . . What causes distress and suffering in business, moreover, is not a gradual fall in prices extending over many years, such as would be due to an appreciation of the standard, but a quick and violent fall, which comes heavily upon the holders of large stocks, or upon those who are carrying on considerable transactions with borrowed money. To such people, the ups and downs of prices in business from other causes are infinitely more important than the insensible changes which are due to an appreciation in the standard. The cases where the latter most cause suffering are those of businesses which have large fixed payments, and large payments in wages, that are difficult to adjust to the new circumstances; but gradually, we may be sure, the adjustment, even in those cases, will be made. We are inclined to doubt, then, whether the appreciation of gold which has been going on during the last ten years will have

"more than temporary effects. When prices and wages and many of the fixed payments have got adjusted to the new conditions, business will go on as before."

No one can deny what he has here advanced, viz. :—that sudden and heavy falls of price cause distress, and greater distress than any which would result from the gradual appreciation of the metal forming the standard of value; or that legislative interference would be powerless to prevent, though it might lessen, this latter phenomenon.

But no sane man has ever hoped to prevent the "ups and downs in prices which result from other causes" by legislative action, nor by any such action to forbid that gradual appreciation of the metal forming the standard which may spring from natural causes. Such an appreciation will take place under a bimetallic system of money, from the same cause as under a monometallic system, if the production of gold and silver both diminish at the same time, but, in contending that probability and history are both against such a thing happening and continuing to happen, I only follow some of the most able and most learned on the monometallic side of the question. What I do advocate is, not a futile attempt to interfere with the action of natural and slowly-acting causes, but the application of a remedy which will surely counteract those evils which hasty legislative action has caused and may cause again; and that remedy is a return by England to the bimetallic standard, or, at least, some practical encouragement on her part to induce other nations to return to the full use of it. Either policy would bring us back to the state of things as they existed before the violent action of Germany brought about the present difficulties.

The remarks of the *Statist* are mainly directed to show how much less dangerous appreciation of the standard metal is than depreciation; and he assumes that the aim of Mr. Goschen in his speech, and of all those who find danger in an abnormal contraction of the currency, is "to substitute new conditions which would give the stimulus to industry formerly given by the continually increasing abundance of money."

But I may express my belief that Mr. Goschen desires no such thing, and my own assurance that I have no such wish.

I suppose that the ideal perfection of a monetary system is, that there should be just so much of circulating medium as will suffice for the commercial and domestic wants of the community—not so much as unduly to foster speculation—not so little as unduly to fetter legitimate trade; and, above all things, that there should be the greatest attainable steadiness in the volume of the currency. Some regularity in this respect is possible, but immobility is neither possible nor desirable; and the hope of the *Statist* that we shall in no wise alter "our determination to maintain an unchanging standard for "money in this country" is sufficiently proved to be utopian, by his own argument that by the operation of natural causes (and, I may add, by the operation of law) its value is continually liable to change.

To return to the question of the decline of prices; there is one notable exception. In wages there is no such fall. On the contrary, it would seem that there has been a marked improvement in the condition of the labourer, both in increase of wages and in diminished cost of some of the necessaries of life.

This is not the place for a disquisition on the causes which place the price of that fundamental commodity,

labour, in a different category from the prices of commodities produced by labour; but, I may remark (1) that it seems obvious that, in the long run, the price of labour must be regulated by the ability of the labourer to live upon his wages, and by the ability of the occupier of the soil to pay him; (2) that the general increase of his wages seems consequent upon a conviction to which both he and his employers awoke some time since that he had been underpaid,—a conviction which bore substantial fruit, partly by reason of the flow of the wealth of the great towns into the country districts, and partly by the increased power of organization amongst the labourers themselves, both causes being helped by the greater facilities of communication and locomotion enjoyed in the present day; and (3) that, whereas the increase of his weekly pay must have tended to produce an increase in the prices of the commodities he consumes, the reverse seems to be the case.

But if the reverse *is* the case, and if those consumable articles have persistently fallen in price, it is one proof the more that there must be some general and abnormal cause for their fall.

To say that the real cause is the badness of trade is merely to argue in a circle, for we are at once driven to ask, "What, then, is the general and abnormal cause of the badness of trade?"

Nor does it appear that the true cause of this continuous decline in prices can be over-production of commodities. No doubt many articles whose prices have declined have been produced in abundance greater than the increase of population has demanded, and no doubt their price has been in every case affected by supply and demand, but a persistent decline would seem to suppose

a persistent cause beyond that of the ordinary and natural fluctuations of supply.

So much, then, for the second question—whether the alleged fall in prices is mainly or greatly due to the appreciation of gold.

The first question (whether there is such a fall) is abundantly answered by the foregoing table of prices.

The third question—whether the proportion between the mass of gold money and the commodities it measures has been disturbed—is to be answered as follows:—

1.—The output of gold from the mines appears to have declined in the last 10 years, as will be seen by the following table, the figures in which are taken from those compiled by Sir Hector Hay, and printed in the *Journal of the Institute of Bankers* of last month.

Year.	SILVER.			GOLD.				TOTAL OF SILVER AND GOLD.
	United States.	Other Countries.	Total.	Australia.	United States.	Other Countries.	Total.	
	£	£	£	£	£	£	£	£
1870	3,200,000	8,150,000	11,350,000	5,830,000	10,000,000	5,540,000	21,370,000	32,720,000
1871	4,600,000	8,600,000	13,200,000	6,650,000	8,700,000	6,050,000	21,400,000	34,600,000
1872	5,750,000	8,200,000	13,950,000	6,810,000	7,200,000	5,900,000	19,910,000	33,860,000
1873	7,150,000	7,800,000	14,950,000	6,290,000	7,200,000	5,750,000	19,240,000	34,190,000
1874	7,200,000	8,000,000	15,200,000	6,000,000	6,400,000	5,750,000	18,150,000	33,350,000
1875	9,000,000	8,000,000	17,000,000	5,750,000	8,000,000	5,750,000	19,500,000	36,500,000
1876	7,700,000	9,000,000	16,700,000	5,500,000	8,500,000	6,600,000	20,600,000	37,300,000
1877	9,100,000	9,500,000	18,600,000	5,500,000	8,900,000	6,600,000	21,000,000	39,600,000
1878	9,000,000	10,700,000	19,700,000	5,800,000	10,000,000	7,700,000	23,500,000	43,200,000
1879	8,200,000	10,400,000	18,600,000	5,800,000	7,700,000	7,800,000	21,300,000	39,900,000
1880	7,800,000	10,400,000	18,200,000	5,200,000	6,000,000	7,800,000	19,000,000	37,200,000
1881	7,800,000	11,000,000	18,800,000	5,800,000	6,000,000	7,800,000	19,600,000	38,400,000
1882	9,500,000	11,000,000	20,500,000	5,500,000	6,000,000	7,800,000	19,300,000	39,800,000

The production of gold in the year ending June 30, 1882, is, it will be seen, £2,070,000 less than that of the year 1870, and £4,200,000 less than that of the year of the greatest yield, 1878.

The estimates made in the United States give larger figures, but with few exceptions they show the same upward and downward tendency as Sir Hector Hay's. They show a falling off of £4,374,000 between 1882 and 1870, in the total production of the world; and £2,832,000 in that of their own country.

It appears, therefore, that the chief difference is in the estimated yield of other countries; and it must be admitted that there is great difficulty in arriving at a correct account of their production.

M. Alexander Del Mar, formerly a Director of the United States Bureau of Statistics, writes as follows in a letter to the *Mining World*, dated 4th January last, as to the probable decline in production; and if we may take his opinions to be correct, we cannot consider the figures in the second column of the ensuing table as likely to be maintained.

M. Del Mar says:—

"During the past ten years I have personally inspected the principal goldfields and mines of Russia, Spain, Brazil, California, Nevada, Arizona, North Carolina, Mexico, &c., and, with the exception of Brazil and Spain, where little or no gold is being now produced, I have derived a very firm conviction that at least for five or ten years to come none of these countries will be enabled to increase their present output, but, on the contrary, that it will diminish. In all of these countries there are certain mines which will doubtless increase their product, and there are many new and probably very rich mines yet to be opened in them; but speaking of the countries generally, I cannot believe that

"their output of gold will not diminish. The same must be said of Australia. There is a future for gold in Africa; but this future, so far as any product of importance to the world is concerned, is a long way off. Mining depends on climate, water, the organisation of labour, and the general condition of the mechanical arts. Labourers who cannot handle a spade, a drill, a pick, a plane, or a saw, will not make good miners; and countries where these tools are not used or cannot be obtained, and where there are no roads, foundries, mills, nor workshops, are poor places for successful mining. India has all these disadvantages, together with the further one of being, so far as gold is concerned, a very old and thoroughly searched country. On the whole, therefore, I am compelled to believe the future production of gold must diminish."

2.—Population has largely increased, and with population must have increased also the quantity of gold money in the personal possession of the people; so that if £100,000,000 was a correct estimate of the amount of gold in the United Kingdom, exclusive of the Reserve in the Issue Department of the Bank of England, a quarter of a century ago, we may now well add, at least, £20,000,000 to the sum.

3.—Luxury also has greatly increased, and that fact, together with the increase of population, has doubtless increased largely the use of gold for ornaments, and otherwise in the Arts. M. Chevalier, writing in 1857, estimated the annual consumption of the metal for articles of luxury at 1,236,655 ounces, or about £5,000,000 sterling; and it may not be unreasonable to compute that, at the present time, the amount may have increased to £7,000,000 sterling, a quantity about equal to the whole yearly American output.

4.—Up to this time, paper—resting on no metallic basis—has largely taken the place of metallic money. Austria, Russia, Portugal, Brazil, the Argentine Republic, Turkey, Italy, Spain, Peru, Chili, and Japan, have all, at various times, suspended specie payments. Spain, I believe, has resumed them on a quasi-bimetallic basis; and Italy has made provision for resumption of specie payments on the 12th of this month. Should any or all of these follow her example, and in resuming specie payments adopt gold as the metal for their coinage, the effect cannot but be very great on the gold prices of the world.

The action of Germany in its adoption of a gold currency in place of silver, the action of the Scandinavian nations in following her example, and the possible action of the United States and of Holland in the same direction, cannot but make the strain more intense.

We see, then, that all the four things spoken of above (on page 14 of this proof) have happened; that the production of gold has declined, is declining, and in the opinion of those well qualified to judge will continue to decline, and that the demand for it, both in the Arts and for money purposes, has increased, is increasing, and with the increase of population will continue to increase; and it seems to me that when this becomes evident to the gold-using nations, they will be inclined to adopt, or further the adoption of, the only measure which can lighten the strain upon them, and that is the associating silver with gold in the monetary work of the world.

Should it be asked what harm can come of a diminished price, if it be caused by the increased value of that which the merchant receives for his goods,—if, that is to

say, the diminution in quantity be compensated by an improvement in quality of the money received,—the answer is that, if and when the decline in price from this cause is a settled and concluded matter, and the price is once adjusted to the altered measure of value, then, as the *Statist* rightly says, in the passage above quoted, trade can go on without interruption, and without future injury from this source to any one. But while the four causes above-mentioned are in action, when one of them, the demand for gold for money purposes is likely to increase, and when, consequently, it is not only the case that prices have declined, but that they *are declining*, the condition is a very different one. A season of declining prices is almost necessarily a season of unprofitable trade. A merchant who has advanced his money on the market value of a commodity suffers loss when the goods arrive and he finds that the market value has diminished beyond his calculation; and not he only suffers, but the consumer suffers also in the long run; for though he is for the moment benefited by the cheapness of the commodities he uses, yet the decline in their price tries to the utmost the endurance of the producer; and no one will care to continue importing goods which may most probably fall in price by the time they arrive. So, then, the tendency of the continued decline must be to injure both producer and consumer, and to paralyse trade.

If it be asked, "Is it not a positive good to England "that gold should be appreciated?" "England," it may be said, "is a creditor nation, and her debts are due to her in gold. The scarcity of gold has made that metal "more valuable, and she must needs be the gainer by "this, and must continue to be still more the gainer if "gold becomes scarcer still. Is it to be expected that "she should throw away this advantage, and by admit-

"ting silver to a partnership with gold, exalt the value of the first, and lower the value of the second?"

I must reply by another question: What is a creditor country? Are we all creditors, and creditors only? The meaning of the phrase is, no doubt, that, on balance, the nation has more to receive than to pay, and the inference is that the balance must come in the appreciated and appreciating metal. But who are they who are to receive it? Not so much the producers, the makers of the wealth of the land, (though they also, to the extent of their profits are recipients) as the holders of fixed incomes, the *fruges consumere nati*. But if we look to the advantage of England at large, we must admit that it is not these for whom we should be most solicitous; especially as every increase in the value of the three sovereigns which they duly and punctually receive on each hundred pounds of their Consols, is an addition to the burden of the National Debt, payable alike by the working bees as by the drones; alike by the debtor who loses by the appreciation of gold, as by the creditor who gains. My conclusion is, that the bringing back of gold to its old relation to commodities would be no real injury to England.

I have said above that it has been demonstrated that there is no analogy between fixing by law the ratio that gold money shall bear to silver money and fixing the money prices of commodities; but if I am met with the answer that gold and silver are commodities like all others, and that their price must be governed, accordingly, by the cost of their production, I must reply that those two metals are no doubt commodities, but that neither gold nor silver, both being full money in the same country, can possibly be priced each in terms of the other; and though undoubtedly like all others in their

essence as commodities, yet they differ from all others in their accidents. Every one, bimetallist or monometallist must admit that both or either of them are differently conditioned from all other commodities; namely, in these four ways following:—

First.—They are the measure of all commodities, and are measured by them. Of no other commodities can this be affirmed.

Second.—It is of little importance to the world (though of great importance to the producer) whether the production of these measuring metals is greater or less. It is of the greatest importance to the world, as well as to the producer, whether other commodities (or almost all of them) are produced or not.

If no more wheat is produced, it is a world-wide calamity, immediate in its effect.

If no more gold and silver is produced the world is not visibly or immediately the worse. Circulation will be gradually contracted as wear and tear of the existing stock goes on, and prices will gradually and imperceptibly fall; but the hindrance to trade, though certain, is necessarily slow.

Third.—Ninety per cent. of the demand for the precious metals being for one purpose only, that of serving as money, the demand for either of them in any country, and consequently in all countries, is subject to be almost entirely and quite suddenly extinguished by the action of law. This can be said of no other commodity; nor, if it could, would the extinction of the demand for it affect all other commodities, as the extinction of the demand for gold or silver as money must do.

Fourth.—All other commodities—speaking generally—are consumable and produced to be consumed; their reason of existence is that they may be worked up and used, and perish in the using. Roughly speaking, there is no *stock* of any of them beyond a very few years' production:—where is the wheat of 1880?—but the stock of gold and silver is the production of a thousand years!

The production of gold and silver from 1493 to 1875 was estimated by Seyd to be £1,230,000,000 of gold and £1,469,000,000 of silver, £2,699,000,000 in all; and adding £101,000,000 for the production of 1876-8, we have a total of £2,800,000,000. He computes, further, that taking into account the production before 1493, there existed now, in the shape of coined money or bullion serving as money, a sum of £1,580,000,000.*

How small is the proportion which an annual increment of £25,000,000 or £30,000,000 in coin or bullion bears to this vast stock; and how little influence can the cost of production of that small addition have on the relative value of the stock of money-metals and the stocks of other commodities! But in the case of consumable commodities, the annual production of which bears a very large proportion to the existing stocks, the cost of that production must necessarily and immediately influence the price of the commodity.

The precious metals, we are told, experience, as all other commodities do, great changes of value from the

* Allowing 1/20th for waste by abrasion, and a sufficient sum for loss and forgotten hoards, the £2,800,000,000 may perhaps be reduced by about £400,000,000 during the years from 1493-1878; and deducting the £1,530,000,000 supposed to exist in current coin and bullion, it follows that no less than £800,000,000 must be stored in the form of articles of luxury, or hidden away in hoards.

action of Supply and Demand. That they will do so from the arbitrary cessation of Demand is incontestable; but Supply depends mainly on existing stocks, which may almost be considered a constant quantity, while if by Supply is meant annual supply, we have seen that it is relatively insignificant; but of the mass of commodities it may be said, that their existence depends on their annual supply.

So then, in arguing for the possibility of fixing and maintaining a definite ratio between gold and silver, serving as money, there is no need to show that they have any especial *quality*, as compared with the commodities they measure. It is enough that they are so differently conditioned from all others, and so like conditioned with one another, that it is both possible and easy to yoke them together as one combined medium of exchange and measure of value.

The ground of controversy is narrowing. We are all practically agreed on the main features of the position. Gold has grown and is growing scarcer, prices have declined and are declining, trade has suffered and is suffering. Mr. Goschen, the late Mr. Stanley Jevons, Mr. Giffen, the writer in the *Statist*, and the writer in the *Daily News*, and a host of other writers, testify to these facts. But the monometallist writers, while they admit the evil, all tell us that time will cure it. No, not all. Mr. Jevons proposed as a remedy the issue of one-pound notes, and many writers and speakers are now putting forth this plan—some as a remedy, some as being itself a good. So, then, those of our opponents who look with horror on the association of silver as money with gold because forsooth it is an inferior metal, and because notes issued on silver would not have a solid basis of value, are not at all afraid to advocate the issue of millions

of fiduciary notes having no basis at all,—promises to pay issued on the security of—promises to pay.

The more I consider the matter, the closer I look into it, the more sure I am that the system which I advocate, though it seem to contradict in words the dicta of Lord Liverpool, is yet the only real carrying out of his system. He urged unity and uniformity of metallic money of full weight and fineness as a necessity for the nation. Unity of money is impossible for that great nation which all commercial peoples form. No one desires it, or dreams of it. But a uniform metallic money is possible, and for the very reasons which Lord Liverpool gives, desirable, and that is what I advocate.

Some objectors are satisfied to accept, without inquiry, their own or other men's statement, that what I advocate is impossible. My answer is that it is not only not impossible, but has been practically done for 70 years in this century, and will be done again.

HENRY H. GIBBS.

LONDON,
April, 1883.

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